



## CALIFORNIA LEGISLATURE

STATE CAPITOL  
SACRAMENTO, CALIFORNIA  
95814

August 26, 2009

The Honorable Jerry Brown  
Attorney General  
California Department of Justice  
1300 I Street  
Sacramento, CA 95814

Re: Sutter Health Misconduct

Dear Mr. Brown:

As the Attorney General and the state's highest ranking law enforcement officer, we are asking you to immediately investigate alleged misrepresentation of hospital finances, economic and medical redlining, abuse of nonprofit status, anti-trust violations, questionable allocation of public assets, and execution of contracts that may be in conflict with existing law by Sutter Health and its network of Affiliates and subsidiaries.

In communities throughout Northern California, Sutter Health has the responsibility of providing access to health care and emergency services. However, across the State, Sutter has been the center of accusations of misuse of assets and profits of county, district, and private safety net hospitals for their own benefit and to the detriment of the surrounding community. While individual localities are working to defend public health and taxpayer interest in the face of Sutter's suspected misconduct, the regional scope and complexity of Sutter's business practices and Sutter's monopoly position in many markets make the intervention of the Attorney General's office both necessary and appropriate.

- In Marin County, the local community is fighting Sutter's alleged transfer of \$90 million over two years from the Marin General Hospital.
- In San Leandro, the Eden Township Healthcare District has requested an independent audit of the district's books. Questions have been raised as to conflict of interest in the execution of a Memorandum of Understanding that would potentially allow Sutter to assume ownership of the public hospital at a price below value by Sutter, without a vote of the people, and without restriction on the future role of the hospital in meeting local health needs.

- In San Francisco, St. Luke's Hospital brought an action for antitrust violations after Sutter brokered an exclusive contract with the Bay Area's largest network of doctors in order to redirect wealthier patients away from St. Luke's. Sutter was required to subsidize St. Luke's operations while ensuring its continued independence. Sutter only agreed to fund retrofitting of St. Luke's when faced with a threatened medical redlining lawsuit by the City of San Francisco.
- In Santa Rosa, Sutter signed a 20-year contract with Sonoma County in 1996 to operate the county hospital and maintain charity and indigent care. In 2006, Sutter attempted to breach the contract and close the hospital. After the Supervisors threatened to sue for breach of contract, Sutter agreed to maintain acute care, but has proposed shrinking services and transferring profitable services to a for-profit subsidiary that will not be subject to the contract with the County.

Previous actions by Sutter have demonstrated an ongoing pattern of closure that has devastated many local communities as they lose their neighborhood hospitals.

In each of the above examples, Sutter has owned or proposed building new boutique hospitals in close proximity to existing community hospitals. Sutter is currently building a new hospital in Alameda County, 4.3 miles from San Leandro Hospital. In Marin County, Sutter recently purchased property 1.5 miles from the publicly owned Marin General Hospital, the County's safety net facility, in order to develop a competitive facility for profitable business. In San Francisco, Sutter has proposed to shrink St. Luke's, which serves the medically-underserved southeast region of the city, to one-third its current size, while concentrating profitable specialty services at a new high-rise medical destination hospital in a more affluent part of town, and slashing Medicare and psychiatric services.

In almost every community in which Sutter Health operates, a legal and public battle over their broken promises and questionable actions ensues.

Access to quality and affordable health care in California communities is too important and too precarious to allow this pattern of alleged misconduct to go unchecked. We implore you to immediately launch an investigation of Sutter Health, its Affiliates and subsidiaries, and its business practices on a statewide basis. We ask that you take immediate steps to intervene to determine whether Sutter has acted improperly.

Your immediate action will be greatly appreciated. Please feel free to contact our offices to discuss this matter further.

Sincerely,

Allen M. Grant

Lari Hancock

Oliver Leno

Janet Myer

Jim Bull Jr

Mary Ann

Fat Wiggins

Joe Cates

Fannin

LM

Noreen M. Ene

Wendy Chen

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